

Türkiye 4Q 2023

Q4 2023 earnings preview

Equities Türkiye

Türkiye

- ◆ We present our Q4 2023 forecasts for Türkiye coverage excluding effects of inflation accounting (IAS 29)
- ◆ We expect total non-bank profits to rise 11% y-o-y; private banks' profits (ex-Garanti) to fall 24% y-o-y and 27% q-o-q
- ◆ Our highlights: expect stronger results for steel, CCI, Mavi, T.Traktor; weaker results for aviation, Doas, Sisecam

Aggregate non-bank profits to grow 11% y-o-y, decline 50% q-o-q. The Q4 earnings season will last longer than usual with the mandatory switch to inflation accounting (IAS 29 / TFRS 29) for non-financial companies starting with the FY23 results. Accordingly, the deadline for reporting has been extended by 10 additional weeks to 20 May. Among our non-bank coverage, we expect TAV to be the first to announce on 13 Feb. For financial institutions, including banks, the deadline is 11 March as they are exempt from inflation accounting. We present our Q4 estimates for non-bank coverage excluding inflation accounting.

For non-banks, we expect aggregate profits to show muted growth of 11% y-o-y, losing momentum due to cost inflation and the high base from the previous year. We see profits declining 50% q-o-q due mainly to seasonality in some sectors (-20% q-o-q excluding aviation).

We expect bank earnings to come under pressure owing to high deposit costs and absence of last quarter's chunky CPI linker adjustments. Seasonally high provision expenses in Q4 are going to be another drag. These headwinds are likely to linger in Q1 before improvement of lending spreads gets more visible. We expect earnings contraction to be more profound in Akbank and YKB vis-à-vis Isbank.

Where we expect relatively stronger results y-o-y;

- ◆ **Steel (Erdemir, Kardemir), CCI, Mavi, Turk Traktor** – companies which we expect have grown their operational performance (EBITDA) above inflation y-o-y along with an expansion in margins. In particular, a weak base from the previous year should have supported steel industry Q4 earnings. Turk Traktor should have benefited from a positive sales mix (higher share of domestic sales).

Where we expect relatively weaker results y-o-y;

- ◆ **Aviation (Turkish Airlines, Pegasus), Dogus Otomotiv, Sisecam** – companies which we expect have seen the most eye-catching y-o-y margin normalisation. Aviation faces a very high base from 4Q22 when the tourism season extended, enabling solid pricing with still low costs. Doas operating margin should reflect a surge in its opex to sales ratio. Sisecam results to reflect higher production costs as well as lower capacity utilisation due to weak demand.

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4Q23 results preview – Non-Banks (TRYm) (figures excluding effects of inflation accounting imposed by the regulator from full-year 2023 onwards)

Company Name	Revenues					EBITDA					Net profit				
	4Q23e	4Q22	y-o-y chg	3Q23	q-o-q chg	4Q23e	4Q22	y-o-y chg	3Q23	q-o-q chg	4Q23e	4Q22	y-o-y chg	3Q23	q-o-q chg
Anadolu Efes	34,825	22,432	55%	49,790	-30%	5,705	3,493	63%	12,388	-54%	24	53	-56%	4,732	-100%
Arcelik	60,907	39,192	55%	58,218	5%	5,793	3,583	62%	6,456	-10%	1,465	2,565	-43%	1,001	46%
AgeSA*	-	-	-	-	-	-	-	-	-	-	560	310	81%	447	25%
BIM	82,404	45,393	82%	74,406	11%	6,475	3,949	64%	6,672	-3%	3,585	3,387	6%	3,849	-7%
Coca-Cola Icecek	20,983	12,758	64%	31,734	-34%	3,518	1,901	85%	7,681	-54%	851	649	31%	4,327	-80%
Dogus Otomotiv**	35,312	16,069	120%	36,055	-2%	3,343	2,117	58%	7,227	-54%	2,964	2,364	25%	6,189	-52%
Enerjisa***	43,040	24,008	79%	40,110	7%	6,218	4,641	34%	6,096	2%	1,664	3,003	-45%	1,509	10%
Enka Insaat	24,206	17,560	38%	23,296	4%	4,671	3,662	28%	4,475	4%	5,090	5,066	0%	3,754	36%
Erdemir	41,581	27,248	53%	37,390	11%	6,295	674	n.m.	5,228	20%	3,516	3,175	11%	41	n.m.
Ford Otosan	106,236	60,939	74%	86,106	23%	12,486	7,754	61%	11,253	11%	11,419	8,292	38%	13,014	-12%
Hepsiburada	11,025	5,447	102%	7,607	45%	298	-8	n.m.	644	-54%	-100	-347	n.m.	159	n.m.
Kardemir	11,303	7,716	46%	10,579	7%	1,651	685	141%	1,825	-10%	804	-218	n.m.	51	n.m.
Mavi	6,038	3,267	85%	5,774	5%	1,322	633	109%	1,650	-20%	628	296	112%	1,021	-39%
Medical Park	5,940	2,944	102%	4,869	22%	1,519	698	118%	1,242	22%	916	581	58%	689	33%
Migros	44,409	24,448	82%	41,722	6%	2,631	1,551	70%	3,036	-13%	939	1,164	n.m.	2,174	-57%
Petkim	14,277	8,908	60%	13,189	8%	757	189	301%	1,566	-52%	1,038	822	26%	2,418	-57%
Pegasus	18,640	12,477	49%	28,073	-34%	4,301	3,706	16%	12,056	-64%	3,129	4,152	-25%	7,719	-59%
Sisecam Holding	38,950	29,070	34%	36,406	7%	4,701	4,850	-3%	7,406	-37%	2,543	5,594	-55%	5,291	-52%
Sok	33,109	18,649	78%	29,668	12%	2,619	1,472	78%	2,200	19%	998	574	74%	1,379	-28%
TAV Airports	9,356	5,774	62%	12,261	-24%	1,762	1,163	51%	5,074	-65%	-343	30	n.m.	5,340	n.m.
Turkish Airlines	141,394	88,049	61%	169,091	-16%	27,293	23,746	15%	64,095	-57%	10,773	8,936	21%	51,331	-79%
Tofas	35,034	23,474	49%	26,661	31%	6,131	4,278	43%	4,767	29%	5,974	3,498	71%	5,093	17%
Turk Traktor	13,536	7,218	88%	12,087	12%	3,687	1,183	212%	3,438	7%	2,908	1,359	114%	2,717	7%
Ulker Biskuvi	14,031	9,018	56%	12,409	13%	3,005	1,834	64%	2,669	13%	1,013	983	3%	1,456	-30%
Total	846,536	512,060	65%	847,501	0%	116,182	77,754	49%	179,145	-35%	62,356	56,289	11%	125,701	-50%

Source: Company data, HSBC estimates; * AgeSA figures in IFRS format excluding inflation accounting ** Doas figures excluding the effects of consolidation of Dogus REIT *** Enerjisa figures in TFRS format excluding inflation accounting

4Q23 results preview – Banks (TRYm)

Bank Name	NII					Provisions					Net profit				
	4Q23e	4Q22	y-o-y chg	3Q23	q-o-q chg	4Q23e	4Q22	chg(%)	3Q23	chg(%)	4Q23e	4Q22	chg(%)	3Q23	chg(%)
Akbank	13,559	27,131	-50%	23,413	-42%	4,795	351	n.m.	2,306	108%	13,488	21,562	-37%	20,447	-34%
Isbank	7,462	20,097	-63%	12,436	-40%	5,000	2,348	113%	-505	n.m.	17,690	23,528	-25%	20,548	-14%
Yapi Kredi	14,660	30,649	-52%	27,288	-46%	-804	4,512	n.m.	726	n.m.	16,511	17,429	-5%	24,586	-33%
Halkbank	1,500	21,310	-93%	4,426	-66%	-300	11,890	n.m.	981	n.m.	2,300	5,849	-61%	3,096	-26%
Total	37,181	99,187	-63%	67,564	-45%	8,691	19,102	-55%	3,509	148%	49,988	68,368	-27%	68,677	-27%
Private Banks	35,681	77,877	-54%	63,138	-43%	8,991	7,211	25%	2,528	256%	47,688	62,519	-24%	65,581	-27%

Source: Company data, HSBC estimates

HSBC Türkiye coverage universe

Company name	RIC	Latest price*	Rating	Company name	RIC	Latest price*	Rating
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Anadolu Efes	AEFES	139.10	Buy	MLP Saglik	MPARK	136.60	Buy
Arcelik	ARCLK	139.30	Hold	Pegasus	PGSUS	745.50	Buy
Aselsan	ASELS	49.18	Hold	Petkim	PETKM	21.82	Reduce
BIM	BIMAS	370.25	Buy	Sabancı Holding	SAHOL	71.35	Buy
Coca-Cola Icecek	CCOLA	545.50	Buy	Sisecam	SISE	49.12	Hold
Dogus Otomotiv	DOAS	252.25	Buy	Sok Marketler	SOKM	61.60	Buy
Enerjisa Enerji	ENJSA	51.25	Hold	TAV	TAVHL	132.70	Buy
Enka Insaat	ENKAI	36.42	Buy	Tekfen Holding	TKFEN	39.86	Hold
Erdemir	EREGL	43.30	Hold	Tofas	TOASO	243.70	Buy
Ford Otosan	FROTO	861.00	Buy	Tupras	TUPRS	147.60	Reduce
Garanti	GARAN	63.15	Hold	Türk Traktor	TTRAK	747.00	Hold
Halkbank	HALKB	13.15	Reduce	Turkish Airlines	THYAO	260.00	Buy
Hepsiburada**	HEPS	1.63	Buy	Türkiye Sigorta	TURSG	48.10	Buy
Is Bankasi	ISCTR	25.30	Hold	Ulker	ULKER	48.10	Buy
Kardemir	KRDMD	25.98	Buy	Vakifbank	VAKBN	14.32	Buy
Koc Holding	KCHOL	160.00	Buy	Yapi Kredi	YKBNK	21.76	Hold

*Prices in TRY as of close of 26 Jan 2023 ** Price in USD
Source: HSBC research, Refinitiv Datastream

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